

VZCZCXRO3189  
RR RUEHAST RUEHBI RUEHCI RUEHDBU RUEHLH RUEHLN RUEHPW RUEHVK RUEHYG  
DE RUEHTA #2728 2741137  
ZNR UUUUU ZZH  
R 011137Z OCT 07  
FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC 0843  
INFO RUEHAST/USOFFICE ALMATY  
RUCNCIS/CIS COLLECTIVE 0269  
RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE

UNCLAS ASTANA 002728

SIPDIS

SENSITIVE  
SIPDIS

DEPT FOR SCA/CEN - O'MARA

E.O. 12958: N/A  
TAGS: [ECON](#) [ETRD](#) [KTEX](#) [KZ](#)  
SUBJECT: KAZAKHSTAN'S TEXTILES AND APPAREL SECTION: UPDATED  
STATISTICS AND PROJECTION OF FUTURE COMPETITIVENESS

Ref: (a) State 114799 (b) 06 Astana 150

¶1. (U) The following data for Kazakhstan in 2007, provided by Lubov Khudova, representative of the Kazakhstani Association of Light Industry Enterprises, and sources from the National Statistics Agency, responds to questions in ref A and updates information provided in ref B.

-- Industrial production (including extractive industry): \$52.7 billion (2006); \$38.7 billion (January - August 2006)

-- Total textile and apparel production: Approx \$281 million

-- Exports in textiles and apparel to the U.S.: N/A (negligible)

-- Total manufacturing employment: 714,600 (as of July 2006)

-- Total employment in textiles and apparel: 21,000 (including 2,100 in shoe manufacturing)

¶2. (SBU) Khudova told Econoff that the internal textile and apparel market remains very much unregulated. She said that the vast majority of the textile and apparel products on the Kazakhstani market are imports, of which 95% are undeclared. While Kazakhstan has laws on the books which levies customs duties on textile and apparel imports, customs enforcement is woefully inadequate. This, Khudova stated, is due to rampant corruption on the part of customs enforcement officers, and loopholes found in the Kazakhstani customs code.

¶3. (SBU) Khudova expressed enthusiasm about regulations recently passed by Parliament that attempt to close some of the loopholes in the Customs Code. These new regulations primarily aim at preventing illegal or undervalued (and hence, undertaxed) Chinese textile and apparel products from entering the Kazakhstani market. Still, Khudova was not optimistic about the prospects of a reduction in corruption on the part of customs officials.

¶4. (SBU) Khudova stated that as a result of post-Soviet economic decline and readjustment, Kazakhstan's textile industry is today dominated by foreign imports, particularly counterfeit products. She noted, however, that the quality of the counterfeit goods has improved in recent years, most likely due to Chinese manufacturers' improved production methods. Khudova added that the Government of Kazakhstan has not provided any special support mechanisms for recently unemployed Kazakhstani textile laborers.

MILAS